MINNESOTA DEPARTMENT OF COMMERCE

In the Matter of an Otter Tail Power Company and Partners Application for a Route Permit for the Big Stone 230 kV and 345 kV Transmission Lines Project in Southwestern Minnesota

ENVIRONMENTAL IMPACT STATEMENT SCOPING DECISION

PUC Docket No. E017, et al./CN-05-619
PUC Docket No. E017, et al./TR-05-1275

The above matter has come before the Commissioner of the Department of Commerce (the Department) for a decision on the Scope of the Environmental Impact Statement (EIS) to be prepared on the proposed Big Stone High Voltage Transmission Line (HVTL) project affecting Stevens, Big Stone, Swift, Kandiyohi, Lac Qui Parle, Chippewa and Yellow Medicine counties in Southwestern Minnesota.

The Public Utilities Commission (PUC) states in its November 29, 2005, *Order Agreeing To Combining the Environmental Report and Environmental Impact Statement Document*, that the Department should prepare an EIS *in lieu* of the Environmental Report (ER) normally required for the Certificate of Need (CON). The PUC has directed the Department to prepare the single EIS document in order to streamline the process for the Applicants and other parties and to assist the public participation process. The Department will include in the EIS the analysis of alternatives that would have been required under the ER.

The Energy Facilities Permitting (EFP) Unit of the Department held public meetings on January 24-26, 2006, in Benson, Morris, Ortonville, Canby and Granite Falls to discuss the project with the public and to solicit input into the scope of the EIS to be prepared. The public was given until February 13, 2006, to submit written comments regarding the scope of the EIS.

Having reviewed the matter, and having consulted with the EFP staff, I hereby make the following Scoping Order:

MATTERS TO BE ADDRESSED

The Environmental Impact Statement will address the following matters:

For the purposes of clarity and completeness, the EIS will be divided into two major sections. Part One will include a description and analysis of human and environmental impacts of the proposed project and alternatives that would have been required by Minnesota Rule 4410.7035 under an Environmental Report for the Certificate of Need. This section will evaluate the matters of size, type and timing that would not normally be included in an EIS for a route permit application. Part Two will address the human and environmental impacts of the proposed routes

in the Permit Application and other impacts identified by public comments received through the scoping process as required under Minnesota Rules 4400.1700.

To manage the bulk of the EIS document, the EIS will summarize the information in the permit application where possible and verify, supplement and incorporate the information by reference as appropriate. The document may also reference the Federal EIS in the same manner.

INTRODUCTION

1.0 SUMMARY OF THE BIG STONE TRANSMISSION PROJECT

- 1.1 Project Description
- 1.2 Project Location
- 1.3 Project Purpose
- 1.4 Project Alternatives
- 1.5 Sources of Information

2.0 REGULATORY FRAMEWORK

- 2.1 PUC Certificate of Need
- 2.2 PUC Permit Requirement
- 2.3 Scoping of Environmental Impacts and Alternative Routes
- 2.4 Environmental Impact Statement Requirement

BOOK ONE: ALTERNATIVES TO THE TRANSMISSION PROJECT

The EIS will consider only alternatives that could have an impact on transmission in Minnesota. For example, an alternate generation option in the same location and of the same output as proposed would not be considered, as it would not materially affect the transmission requested for the project. The South Dakota Public Utilities Commission generation permit application process and the review thereof by the Western Area Power Administration Federal EIS are considering the generation alternatives at the proposed Big Stone II plant. These agencies are reviewing generation alternatives that would meet the applicants' proposed energy, capacity and timeline using a different fuel, plant design, pollution equipment, location or even timeline.

Alternatives analyzed under this EIS will be alternatives to the applicants' proposed transmission facilities. The Department will evaluate alternatives that provide an equal amount of energy and capacity as proposed by the applicants. Such alternatives may attempt to reduce, mitigate or eliminate the need for the applicants' proposed transmission lines, while delivering the proposed "needed" energy to load centers. Any analysis of the alleged need will be conducted through the CON process generally and not specifically under the EIS. The EIS will focus on the environmental, social, economic and cultural impacts of any alternatives that would affect the implementation of high voltage transmissions lines in Minnesota as related to this project.

This analysis will review the impacts and mitigation measures for the following alternatives: The first is the proposed transmission project in the application, including the assumption of the

Big Stone II Plant expansion. The second is a no build option, in which transmission in Minnesota would not be built, even under a scenario in which the plant expansion had occurred. A third option is a renewables/gas option, where the proposed generation and transmission plan has been replaced by renewable electric generation, possibly including wind, biomass or other renewable technologies, coupled with a natural gas component to compensate for renewables' natural limitations to fullfill base load requirements. The fourth option would examine distributed generation options that may actually eliminate the need for transmission options. This option will also incorporate demand side management and other conservation improvement program opportunities.

3.0 HUMAN AND ENVIRONMENTAL IMPACTS

3.1 Right-of-Way Requirements [Minn. Rule 4410.7035, subp. 3, A]

- 3.1.1 Big Stone Transmission Project
- 3.1.2 No Build Option
- 3.1.3 Wind/Renewables and Gas Generation
- 3.1.4 Distributed Generation/Demand Side Management

3.2 Anticipated Size and Type of Structures [Minn. Rule 4410.7035, subp. 3, B]

- 3.2.1 Big Stone Transmission Project
- 3.2.2 No Build Option
- 3.2.3 Wind/Renewables and Gas Generation
- 3.2.4 Distributed Generation/Demand Side Management

3.3 Electric and Magnetic Fields [Minn. Rule 4410.7035, subp. 3, C]

- 3.3.1 Big Stone Transmission Project
- 3.3.2 No Build Option
- 3.3.3 Wind/Renewables and Gas Generation
- 3.3.4 Distributed Generation/Demand Side Management

3.4 Anticipated Noise Impacts [Minn. Rule 4410.7035, subp. 3, D]

- 3.4.1 Big Stone Transmission Project
- 3.4.2 No Build Option
- 3.4.3 Wind/Renewables and Gas Generation
- 3.4.4 Distributed Generation/Demand Side Management

3.5 Anticipated Visual Impacts [Minn. Rule 4410.7035, subp. 3, E]

- 3.5.1 Big Stone Transmission Project
- 3.5.2 No Build Option
- 3.5.3 Wind/Renewables and Gas Generation
- 3.5.4 Distributed Generation/Demand Side Management

3.6 Anticipated Emissions of any Hazardous Air Pollutants and VOCs

- 3.6.1 Big Stone Transmission Project
- 3.6.2 No Build Option
- 3.6.3 Wind/Renewables and Gas Generation
- 3.6.4 Distributed Generation/Demand Side Management

3.7 Anticipated Impacts on Water Quality

- 3.7.1 Big Stone Transmission Project
- 3.7.2 No Build Option
- 3.7.3 Wind/Renewables and Gas Generation
- 3.7.4 Distributed Generation/Demand Side Management

3.8 Anticipated Impacts on Natural and Wildlife Resources

- 3.8.1 Big Stone Transmission Project
- 3.8.2 No Build Option
- 3.8.3 Wind/Renewables and Gas Generation
- 3.8.4 Distributed Generation/Demand Side Management

3.9 Anticipated Social and Economic Impacts

- 3.9.1 Big Stone Transmission Project
- 3.9.2 No Build Option
- 3.9.3 Wind/Renewables and Gas Generation
- 3.9.4 Distributed Generation/Demand Side Management

4.0 MITIGATION MEASURES [Minn. Rule 4410.7035, subp. 1, E]

- 4.1 Big Stone Transmission Project
- 4.2 No Build Option
- 4.3 Wind/Renewables and Gas Generation
- 4.4 Distributed Generation/Demand Side Management

5.0 FEASIBILITY AND AVAILABILITY OF ALTERNATIVES [Minn. Rule 4410.7035, subp. 1, F]

- 5.1 Big Stone Transmission Project
- 5.2 No Build Option
- 5.3 Wind/Renewables and Gas Generation
- 5.4 Distributed Generation/Demand Side Management

BOOK TWO: IMPACTS OF TRANSMISSION ROUTES

This Analysis will review the proposed preferred and alternative routes as described in the Big Stone Transmission Project Route Permit Application. Only one comment was received that

suggested an alternative route. The recommendation was to "go south on Highway 7 on state wildlife land from Ortonville all the way to Appleton...." The suggested "Highway 7 Route" has not been accepted for further study in the EIS, as it falls within a possible corridor rejected in the Western Area Power Administration Administrative Draft EIS. The remaining route variations suggested in public comments will not be examined separately in this EIS document. They do not fall outside the proposed 2,000-foot route proposals received from the applicants and therefore will already be included in the overall route analysis.

The analysis will review the impacts below for each of the eight route alternatives (there are two proposals that fall within each of four separate corridors). In the route permit process, the PUC will choose one route from the two within the Canby to Granite Falls corridor; and one route from the four within the Ortonville to Morris corridor and the Ortonville to Willmar corridor. The PUC may also choose one route from the two in the Ortonville to Canby corridor as an alternative to a route west of the South Dakota border.

6.0 ASSESSMENT OF IMPACTS AND MITIGATION

6.1 Description of Environmental Setting

6.2 Rejected "Highway 7 Route" Option

6.3 Impacts on Human Settlement

- 6.3.1 Socioeconomic
- 6.3.2 Displacement
- 6.3.3 Noise
- 6.3.4 Aesthetics
- 6.3.5 Human Health and Safety

6.4 Impacts on Land-based Economics

- 6.4.1 Recreation
- 6.4.2 Prime Farmland
- 6.4.3 Transportation
- 6.4.4 Mining and Forestry
- 6.4.5 Economic Development
- 6.4.5 Archeological and Historic Resources

6.5 Impacts on Natural Environment

- 6.5.1 Air Quality
- 6.5.2 Water Quality, Soils and Geology
- 6.5.3 Groundwater and Wetlands
- 6.5.4 Fish and Wildlife Resources
- 6.5.5 Vegetation

6.6 Rare and Unique Natural Resources

7.0 OTHER CONSIDERATIONS

7.1 Significant Unavoidable Adverse Impacts
7.2 Irreversible/Irretrievable Commitment of Resources

8.0 PERMITS AND APPROVALS REQUIRED

8.1 Federal
8.2 State
8.3 Local

ISSUES OUTSIDE THE SCOPE OF THE EIS

The Draft Environment Impact State will not consider the following matters:

1. The manner in which land owners are paid for transmission right-of-way easements, as that is outside the PUC route permitting jurisdiction.
2. Any consideration of generation alternatives or substitutions at the proposed Big Stone II plant site in South Dakota.
3. Any additional transmission lines or substations not proposed in the application or by the public, but needed for additional wind or other generation outlet capacity.

SCHEDULE

The Draft EIS shall be completed by June 30, 2006. Following public information meetings and the Public Hearings, a Final EIS will be available by December 1, 2006.

Signed this 28 day of Feb, 2006

STATE OF MINNESOTA
DEPARTMENT OF COMMERCE

Glenn Wilson, Commissioner